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SUBJECT: A NEW OUTLOOK FOR BOLIVIA'S NATIONAL CARRIER?

REF: LA PAZ 2610

SUMMARY

11. (SBU) Lloyd Aereo Boliviano's general manager recently predicted a new outlook for Bolivia's national carrier, noting that the firm now has seven jets, up from one a few months ago, and has renewed service to a range of domestic and international destinations. Executives have made progress identifying and settling debts, and they increasingly believe the carrier is making a comeback. Despite this, Lloyd continues to live month-to-month, which suggests a full recovery may take time.

A NEW OUTLOOK?

12. (SBU) Lloyd Aereo Boliviano General Manager Franklin Taendler spoke optimistically November 9, predicting a new outlook for Bolivia's national carrier. Taendler noted that the firm now has seven jets, up from one in mid-July, and has renewed service to a range of domestic and international destinations, including Miami and Madrid. Flights operate regularly and largely depart on time, with relatively few delays of the sort once typical of the carrier. Taendler hopes to lease three additional aircraft in the next few months, in hopes of operating more frequent flights to the company's most lucrative destinations and adding new cities to the carrier's list of services.

13. (SBU) According to Taendler, executives have made progress identifying and settling outstanding debts - the firm owes an estimated \$11 million to Bolivian pension funds and several million more to suppliers, banks, and other organizations - and expect to gradually agree payment plans with creditors,

many by year-end. Taendler noted that Lloyd has settled debts to its previous insurer and secured aircraft insurance through a new company. He and other executives increasingly believe the carrier is making a comeback; as evidence, they point to the fact that weekly revenues have increased from a mere \$50,000 to an estimated \$500,000 since mid-July.

SURVIVING MONTH-TO-MONTH

13. (SBU) Despite this, Lloyd continues to live month-to-month, which suggests a full recovery may take time.

Workers receive their salaries, but payments are often a week or two late; executives find they must balance salary disbursements with fuel and aircraft insurance payments. Every dollar counts, as illustrated by Lloyd's tentative plan to loan one of its jets to a U.S. company operating New York-Miami-Havana charters; according to Taendler, Lloyd would earn \$3,500 per flight, a significant sum to a company perpetually short of cash, but relatively small change in the airline industry.

COMMENT

14. (SBU) Lloyd's future may look brighter than it has since mid-July, but its recovery is far from assured. The firm has certainly made progress, but it appears to be no more than a few steps from the edge of the abyss, at risk of toppling over at the first sign of renewed trouble. Recent jet fuel shortages have complicated matters, causing Lloyd and other carriers to delay flights, and the GOB shows little sign of quickly resolving the issue.

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